have been taken to check the extraordinary movements in illiquid scrips. In addition, the regulations and guidelines are regularly being streamlined and strengthened to ensure effective deterrence.

Volatility in Capital Market

126. SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) the details of the volatility witnessed in India capital market during the months of May-June, 2006;

(b) if so, the reasons therefor;

(c) the details of probe conducted, if any, by the market regulators, besides the authorities of the respective stock exchanges, especially for detection of manipulations;

(d) if so, the findings thereof; and

(e) the measures taken/contemplated to strengthen protection of small retail investors in the secondary market against impact of volatility?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The details of the average intra-day volatility in Indian capital market witnessed during the months of May-June 2006 is as under:

Index	April 2006 Volatility	May 2006 Volatility	June 2006 Volatility
Sensex	1.62	2.60	3.94
Nifty	1.67	2.77	3.32

It is observed that Sensex and Nifty have shown increase in volatility in the month of May and June 2006.

(b) Movements in share prices and consequently in indices are caused by variety of factors both domestic and international. In the recent past some of the significant factors included the fall in commodity prices, rise in inflation, rise in oil prices and increase in interest rates, decrease in fund flows to emerging markets and relative valuations of emerging markets.

(c) and (d) SEBI has examined volatility in Indian securities market in the recent past and compared the same with the international indices. The volatility increase in the Indian indices is broadly in sync with other emerging markets. SEBI has informed that the reports from exchanges as discussed in the weekly surveillance meetings did not prima facie appear to indicate anything untoward.

(e) SEBI and the Government have been advising the investors, whether small or big, that they should take informed investment decisions based on their own understanding of the market or such advices as they may receive from investment advisors. A downtrend in the market over a short period should not persuade an investor to exit from the market if the investor has a long-term positive view of the market and is invested for the long term. Investors should guard against rumors and also not take decisions in panic.

Further, to protect the investors against impact of volatility, with effect from July 10, 2006, the risk arrays have been updated intra-day in the cash market as has been done in the derivative market. The applicable VAR margin rates are being updated atleast 5 times in a day.

Also, exchanges have been advised to keep enhanced real time vigilance on volatility and deviance, if any, in the market.

Raise in borrowing rates by banks

127. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that RBI has allowed banks and financial institutions to raise the rate of interest of loans and borrowing.

(b) if so, the details thereof;

(c) whether Government considers and ideal rate of interest of borrowing (*i.e.* on savings) and lending prescribed fo banks; and

(d) whether the rate of interest on savings will be raised if borrowing rates are raised?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Reserve Bank of India (RBI) has deregulated the interest rates on advances by the banks above Rs. 2 lakh